

**Annual Prices Above Which Full Royalties Are Due
Notwithstanding Any Remaining Royalty Suspension Volumes**
Deep Water Oil

Applicable		Oil Price Threshold (\$/bbl)			Actual Prices (\$/bbl) Average NYMEX Nearby Delivery
Calendar Year	Annual Inflation Rate	For leases issued in Sales held in: 1996, 1997, 2000 and 2002-2003, March 2004* 2001 August 2004-2005			
1994		\$28.00			
1995	2.177%	\$28.61			
1996	1.937%	\$29.16			\$21.99
1997	1.950%	\$29.73			\$20.63
1998	1.226%	\$30.10			\$14.43
1999	1.405%	\$30.52			\$19.26
2000	2.284%	\$31.22	\$28.00		\$30.25
2001	2.177%	\$31.90	\$28.61		\$25.99
2002	1.179%	\$32.27	\$28.95		\$26.10
2003	2.035%	\$32.93	\$29.54		\$31.08
2004	2.624%	\$33.79	\$30.31	\$39.00	\$41.38
2005	2.759%	\$34.73	\$31.15	\$40.08	\$56.57
2006e	3.188%	\$35.83	\$32.14	\$41.35	

NYMEX Calendar Year 2006 Average		6	months	\$67.04
July - Dec Avg Needed to Suspend Relief	\$4.63	-\$2.76	\$15.67	
Estimated (e) Threshold Level	\$35.83	\$32.14	\$41.35	
Gap Between Threshold and Price Average	-\$31.21	-\$34.90	-\$25.69	

*These thresholds also apply to Pre-Act leases with discretionary deepwater royalty relief. However, these thresholds do not apply to Eligible leases issued in Sales held in 1998 and 1999.

Deep Water Natural Gas

Applicable		Gas Price Threshold (\$/MMBTU)			Actual Prices (\$/MMBTU) Average NYMEX Nearby Delivery
Calendar Year	Annual Inflation Rate	For leases issued in Sales held in: 1996, 1997, 2000 and 2002-2003, March 2004* 2001 August 2004-2005			
1994		\$3.50			
1995	2.177%	\$3.58			
1996	1.937%	\$3.65			\$2.50
1997	1.950%	\$3.72			\$2.42
1998	1.226%	\$3.76			\$2.16
1999	1.405%	\$3.81			\$2.31
2000	2.284%	\$3.90	\$3.50		\$4.33
2001	2.177%	\$3.99	\$3.58		\$4.06
2002	1.179%	\$4.03	\$3.62		\$3.36
2003	2.035%	\$4.12	\$3.69		\$5.49
2004	2.624%	\$4.22	\$3.79	\$6.50	\$6.18
2005	2.759%	\$4.34	\$3.89	\$6.68	\$8.96
2006e	3.188%	\$4.48	\$4.02	\$6.89	

NYMEX Calendar Year 2006 Average		6	months	\$7.28
July - Dec Avg Needed to Suspend Relief	\$1.68	\$0.75	\$6.50	
Estimated (e) Threshold Level	\$4.48	\$4.02	\$6.89	
Gap Between Threshold and Price Average	-\$2.80	-\$3.26	-\$0.39	

*These thresholds also apply to Pre-Act leases with discretionary deepwater royalty relief. However, these thresholds do not apply to Eligible leases issued in Sales held in 1998 and 1999.

**Annual Prices Above Which Full Royalties Are Due
Notwithstanding Any Remaining Royalty Suspension Volumes**
Shallow Water, Deep Natural Gas (well depths >15,000 ft)

Applicable		Gas Price Threshold (\$/MMBTU)			For deep gas rule 30 CFR 203	Actual Prices (\$/MMBTU) Average NYMEX Nearby Delivery
Calendar Year	Annual Inflation Rate	For Sale 178 March 2001	From Sales held in 2001-2003**	2004-2005		
2000		\$3.50	\$5.00			\$4.33
2001	2.177%	\$3.58	\$5.11			\$4.06
2002	1.179%	\$3.62	\$5.17			\$3.36
2003	2.035%	\$3.69	\$5.27			\$5.49
2004	2.624%	\$3.79	\$5.41	\$9.34	\$9.34	\$6.18
2005	2.759%	\$3.89	\$5.56	\$9.60	\$9.60	\$8.96
2006e	3.188%	\$4.02	\$5.74	\$9.90	\$9.90	

NYMEX Calendar Year 2006 Average				6	months	\$7.28
July - Dec Avg Needed to Suspend Relief	\$0.75	\$4.20		\$12.53	\$12.53	
Estimated (e) Threshold Level	\$4.02	\$5.74		\$9.90	\$9.90	
Gap Between Threshold and Price Average	-\$3.26	-\$1.54		\$2.62	\$2.62	

**Except Sale 178, March 2001

Sources: NYMEX - OIL WORLD
www.oilenergy.com/1onymex.htm
www.oilenergy.com/1gnymex.htm
www.bea.gov

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Notes:

1. The price threshold is an estimate (e).
2. MMS provides notice when price thresholds are exceeded. Once a price threshold violation determination is made, based on the most recent inflation data at the time, any subsequent inflationary adjustments will not affect the violation determination previously made for that year regarding qualification for royalty relief.
3. The calculation for the year-to-date average consists of the 12 monthly averages, which each month averages the NYMEX daily closing price. This average includes holidays and weekends using the previous day closing average.
4. When the (hypothetical) monthly average price needed to suspend relief is shown as a negative number, that product's price threshold for the year is guaranteed to be exceeded by actual market prices.
5. The **bold font** shown for selected actual prices indicates years in which at least some leases were not eligible for royalty relief because price thresholds set for those leases were exceeded by actual prices. For example, in calendar year 2004, the actual average price of natural gas of \$6.18 (per million Btu) exceeded the shallow water, deep natural gas price threshold levels of \$3.79 for leases issued in Sale 178 (2001) and \$5.41 for leases issued in all other Gulf of Mexico Sales held from 2001-2003 that did not exercise the option under 30 CFR 203.48.
6. Production generated royalty-free under the deep gas program counts against the remaining royalty suspension volume, with one exception. That exception involves production from March 1, 2004 through May 2, 2004 from deep wells that qualified for royalty suspension under 30 CFR 203.40-48 (see Federal Register, Volume 69, Number 84, page 24055).